



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-8-26 (6)

Date: August 26, 2015
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Bay Terrace Phase II-Lender Selection

This resolution would choose Chase Bank as the construction and permanent lender for Bay Terrace Phase II and authorize the THA Executive Director to negotiate and execute a Commitment Letter. Later, he will present the final terms and loan agreements to the Board for its consideration and approval.

Background

Tacoma Housing Authority (THA) received a 2015 allocation of 9% Low Income Housing Tax Credits from the Washington State Housing Finance Commission (WSHFC) for Bay Terrace Phase II, a 74 unit new construction project. THA sold the tax credits to investors (Royal Bank of Canada, syndicator) to generate equity for the development. THA estimates the initial value of the tax credits to be \$15,044,990.

The project will also need an \$18 million construction loan and \$3.5 million permanent loan. On July 21, 2015, THA requested Letters of Interest from prospective lenders.

THA sent the Request for Proposal to the following lenders:

Banner Bank	US Bank
Chase Bank	WCRA
Bank of America	Union Bank
Citi Bank	Hunt Mortgage Group
Heritage Bank NW	

On August 7, 2015, staff received Letters of Interest from the following responders:

Banner Bank	Citi Bank
Chase Bank	US Bank/WCRA
Bank of America	

An evaluation team comprised of 4 THA staff and THA's Financial Services Advisor, Brawner and Company, evaluated the proposals based on loan terms, including interest, fees, operating reserve requirements, guarantees, and conversion from construction to permanent financing requirements. The evaluation team unanimously agreed to recommend Chase Bank as the Bay Terrace Phase II lender for both construction and permanent financing.

The selection committee favored Chase Bank for the following reasons:

Construction Loan

Chase will provide a \$17,756,324 construction loan. This loan would come in parts tranches with an "A" Note in the amount of \$14,331,324 and a "B" Note in the amount of \$3,425,000. The "B" note will be tax exempt. For the tax exempt portion, the bank will purchase tax exempt bonds that THA will issue. THA will repay the construction loan in full from a combination of \$3,425,000 from the permanent loan and \$14,331,324 tax creditor equity.

Interest Rates

"A" Note. A fixed rate of interest reset every 30 days at 180 basis points in excess of the 30-day LIBOR rate. The current indicative fixed rate is 1.99%.

"B" Note. A fixed rate of interest reset every 30 days at 135 basis points in excess of the 30-day LIBOR rate. The current indicative fixed rate is 1.54%.

The tax exempt interest rate for the Permanent Loan shall be locked at Construction Loan closing.

Loan Fees: 75 basis points

Maturity Date:

Construction Loan, 36 months maximum from closing.

Permanent Loan, 252 months from construction loan closing.

Operating Reserves: \$0.00

Replacement Reserve: \$350/unit/year

Lease-up Reserve: \$80K

THA Guarantees

Provide full, unconditional joint and several guarantees of completion and repayment. Chase will release these guarantees when the Permanent loan commences. During the period of the Permanent loan, THA will provide standard joint and several recourse carve-out guarantees.

Recommendation

Approve Resolution 2015-08-26 (7) authorizing THA's Executive Director to negotiate and execute the Commitment Letter from Chase Bank for construction and permanent financing for Bay Terrace Phase II (2500 Court G LLLP). The negotiated final terms and loan agreements will be presented to the Board for its consideration and approval prior to execution and financial closing for the project.



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RESOLUTION 2015-8-26 (6)

Bay Terrace Phase II-Lender Selection

A **RESOLUTION** of the Board of Commissioners of the Housing Authority of the City of Tacoma

WHEREAS, On July 21, 2015, Tacoma Housing Authority (THA) staff issued a Request for Proposals (RFP) for Letters of Interest from lenders interested in providing construction and permanent financing for Bay Terrace Phase II; and

WHEREAS, Staff sent the RFP to nine lenders; six with Letters of Interest on August 7, 2015; and

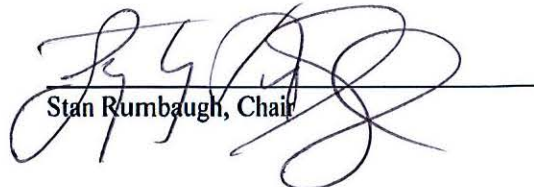
WHEREAS, An evaluation team, composed of four THA staff and Brawner and Company evaluated the terms of each proposal; and

WHEREAS, The evaluation team unanimously agreed to recommend negotiating with the Chase Bank and the execution of the Commitment Letter for both the construction and permanent financing; now, therefore, be it

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:

Authorize THA's Executive Director to negotiate and execute the Commitment Letter from Chase Bank for construction and permanent financing for Bay Terrace Phase II (2500 Court G LLLP). The Executive Director will present the negotiated final terms and loan agreements to the Board for its consideration and approval prior to execution and financial closing for the project

Approved: August 26, 2015


Stan Rumbaugh, Chair